

DESULTORY REFLECTIONS
UPON THE
RUINOUS CONSEQUENCES
OF A
Non-Renewal of the Charter
OF THE
BANK OF THE UNITED STATES.
BY M. CAREY.
SECOND EDITION.

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IN the history of nations, as well as of individuals, there are to be found occasional moments of frenzy, in which every movement baffles the calculations of the politician, the moralist, or the philosopher. That "the most enlightened nation in the world" cannot claim an exemption from this common lot of mankind, is, alas! too evident, on a review of her career from the cradle to this momentous period.

To the distractions and derangements of our affairs with the European world, we are, with almost incredible folly, preparing, by allowing the Charter of the Bank of the United States to expire, to add an awful scene of internal disorder and confusion, of private and public bankruptcy. Against these impending calamities, one portion of our citizens shut their eyes; another regard them with as much apathy, as if they had relation to the affairs of the cham of Tartary, or the emperor of Japan; and a third, by colourings and statements without the smallest shadow of foundation, are using their endeavours to produce a most fallacious security in the public mind, a certain precursor of destruction.

When I have been terrified at the prospect, and saw that so many men of superior talents and much longer experience, were perfectly tranquil; I have asked myself, again and again, whether I was not unnecessarily alarmed; and whether I did not magnify Rock creek into the Mississippi, or the hill of Calorama into the Alleghany or Andes Mountains. I have gone over my calculations anew; sifted the facts on which my opinions are founded: turned them in every possible point of view, to discover errors if any there were. But the result of every examination has been an invariable conviction of the reality of the danger, the momentary frenzy of too many of my fellow-citizens, and the awful consequences of the prevailing apathy, if it should continue.

Under these strong impressions, I could not remain silent. I resolved to raise my feeble voice in defence of the many thousands who are in danger of destruction from the present plan of proceeding, and in defence, too, of the peace and honor of the country, both of which I conceive involved in a decision of the question on the renewal of the Charter.

With candid and upright men, my motive, which cannot be mistaken, will, I trust, apologise for any defects that may appear in a hasty production, written in a few hours, under the great disadvantage of being at a distance from documents, which, if I had an opportunity of adducing them, would remove the doubts of the most sceptical.

Washington, April 27, 1810.

PREFACE
to the second edition

THESE pages were printed at Washington to be delivered to the Members of Congress, in hopes of their being instrumental in removing some of the errors prevailing on a subject of almost inexpressible magnitude, not merely to the trading and commercial world, but to the whole community.

Some passages, in which I have expressed myself perhaps with too much freedom, produced a refusal on the part of the House of Representatives to let them be laid on the desks of the members. It was not my intention to give offence ---but, deeply impressed with the subject, strong language forced itself upon me, and I had not time to prune or correct the style.

I was advised by a friend to prefix my name. I hesitated ---but on reflection I thought it highly proper--- as anonymous productions are too frequently treated with neglect and moreover if this essay had appeared in that form, it might and probably would be ascribed to some person, who, under the dominion of private and selfish views, might be suspected of an attempt to deceive. I am totally free from all such views --- as I am not interested to the amount of a single dollar in the fate of the Bank of the United States, otherwise than in common with the great mass of my fellow citizens.

Mathew Carey, Philadelphia, May 3, 1810.

DESULTORY REFLECTIONS.

THE approaching expiration of the charter of the Bank of the United States, early next March, has given rise among our citizens to a variety of important questions respecting its renewal or dissolution, and the terms on which a renewal should be accorded, if that measure should be deemed eligible. On these topics, public opinion has been and is very much divided. Errors of a most extraordinary and pernicious tendency prevail on the subject, even with men, endowed with superior powers, and generally well informed. Deeply impressed as I am with the paramount importance of it, and convinced that it most imperiously demands an early and correct decision, I venture, without apology, to submit to the legislature of the United States, a few reflections and facts, to evince the pressing necessity of the renewal of the charter, and the awful consequences that must result from a contrary system.

I have not leisure, nor indeed do I deem it necessary, to enter into an examination of all the multifarious plans that have been either laid before Congress, or, through the public papers, submitted to our citizens at large, for the establishment of a new bank, or the modification of the charter of the existing one. Without entering into detail, I think I may safely assert that some of them have been to the last degree empirical.

My object is to convince those who are so far misled as to believe, that little or no injury can arise from allowing the charter to expire; or, which is nearly the same in effect, from postponing the renewal till next session; how very fatal the consequences of either plan must prove. To compress the discussion into as narrow a compass as possible, I shall confine my remarks to the effects likely to result in Philadelphia and New-York; as the reasoning applicable to the latter city must be equally strong as respects all other places wherein branches of the United States' Bank are established.

The notes discounted in Philadelphia and New-York, by the mother bank, and its branch, are about eight millions of

dollars, or four millions in each city. If there be no arrangement made for a renewal of the charter this session, the bank must prepare for closing its affairs early next March, about ten months hence. Imperious duty prescribes this procedure. The mildest and most lenient form which the business can assume, is, to draw the money in gradually from their debtors, at the rate of about ten per cent. on their respective notes, as they fall due. This amounts in each city to 100,000 dollars weekly.^{\$}

I hazard no contradiction from any man who perfectly understands the subject, when I assert in the most unqualified terms, that with this requisition very few of our citizens can comply. No one, in fact, can comply but those who have been more than commonly circumspect and timid in the management of their business.^{\$\$} All the bold, the daring, the enterprising; those whose exertions and industry have promoted the interests of their country; those who on the faith of the existing order of things have invested large properties in creation of machinery, the establishment of arts and manufactures, the purchase or erection of houses, the building or purchase of ships, will be involved in one wide and indiscriminate havoc and destruction. All their grand and flattering prospects for the support of tender and cherished families, for the comfort and enjoyment of old age, for the union of the *otium cum dignitate*, to which honest, persevering industry has so fair a claim, will be swept from the face of Earth, like "the [baseless fabric of a vision](#), and leave not a trace behind."

^{\$} "Cannot create a necessity, then plead that necessity"

First you flood the market with the notes of this bank ---unbacked notes, based on nothing but the good name of the bank and the willingness of the people to take them--- inflate the currency and the credit bubble, then you plead that the withdrawing of these notes will produce economic hardship and money-panic; therefore we must perpetuate this bank and its note-printing practice.

It is better not to create that necessity, it is better not to charter money corporations, not to allow the printing and circulating of credit-notes, not to allow the inflating of credit-bubbles.

If we don't charter and license money-corporations, we don't have to go through the troubles of extricating the nation from the clutches of this money corporation.

^{\$\$} You mean those who did not fall for the [syren-song](#) of the credit-system, who didn't place their hopes and prospects on the [false-foundation](#) of an ever-increasing credit-bubble ---a pyramid-game which sooner than later has to run out of steam.

But many gentlemen, and among the number some who have made very long speeches upon the subject, have very gravely and wisely asserted that the state banks will be fully able to supply the demand for money created by the diminution of discounts on the part of the bank of the United States and its branches. Miserable delusion or deception ! It is painful to me ---but I nevertheless feel it my duty--- to write on this point without disguise or palliation. And I say, in the face of the nation, and challenge any gentleman, in or out of Congress, to a full investigation of the question, that no man can make such an assertion without being so totally unacquainted with the subject, as to be a dangerous guide to follow; or, if he be master of it, he must state what he knows to be wholly without even the shadow of foundation. Let him choose the alternative.^{\$}

The state banks will feel the pressure coevally, and with as much violence and danger, as any individual in society. And however paradoxical it may appear, it is nevertheless true, that the pressure of the state banks, on those who stand indebted to them, will be greater than that of the United States bank on its debtors. The latter bank need not, and probably will not, require more than ten per cent. instalments; but the former will frequently be obliged, in self-defence, to require 20 and 30 per cent. and in many instances even the whole debt.^{\$\$}

It is not very easy to render this as perfectly clear, as it is undoubtedly true. I proceed to elucidate.

In Philadelphia there are, as is pretty universally known, four banks, exclusive of that of the United States. These banks reserve, in their vaults, as much specie as will meet all [probable](#) demands, so as to be able to pay their notes in gold or silver, whenever a requisition to that effect is made upon them. This sum fluctuate, from 150 to 500,000 dollars in each. I believe it is much oftener at the former than at the

^{\$} How did the nation function without banks and their notes and their credit system ? Can production and trade not function without bank-credit and bank-notes ? If so many notes are needed to facilitate the daily transactions of the nation, wouldn't it be better if the Treasury issued those notes ? Can the nation not prosper on cash alone, without the credit system ?

^{\$\$} All the more reason not to build business on foundation of debt.

latter sum. Perhaps 200,000 dollars would be a tolerably fair average. Let us consider how long such a sum would answer the demands upon these banks from that of the United States.

The payment of the debt, due by individuals to the bank of the United States, will necessarily and obviously put that bank in possession of a very large amount of the notes of the rival banks. These will form a heavy balance against those banks, to be paid in specie, and liable to be called for at any hour. While the specie lasts, all is well; but it cannot, it will not last long; it must inevitably find its way into the vaults of the United States' bank. How in the name of Heaven, are the other banks to meet the further demands, which allow not three days, nor one day of grace? There is but one way. It is a very plain and very simple one. They must force their debtors to pay their debts without delay. And the increasing drain of their specie, and the paramount duty of self preservation, will induce and force them to resort to this measure in a more decisive and prompt manner than at the rate I have specified in the case of the United States' bank. What then becomes of the boasted powers and capacities of the state banks, to aid the debtors of that bank which so many wish devoted to annihilation? They vanish into thin air, with the crude notions of those who have hazarded such deceptive assurances.^{\$}

Theory, however plausible, is always subject to doubt. Mankind are prone to error in abstract reasoning. A small mistake in the first link of a long chain, may affect every subsequent link, and may produce a distorted result, as opposite to truth as light to darkness. But "facts are stubborn things." Every calculation fairly built upon them will stand the test of the strictest scrutiny. The more it is examined, the more will it be found unassailable.

I am happy to have a strong and unexceptionable fact to adduce, shedding the clearest possible light upon this subject; a fact which applies exactly to the case; a fact which cannot be overlooked or mistaken but by the direst insanity.

^{\$} You are proving how dangerous and harmful the credit-system is. You are showing that money-corporations issue false promises to pay, notes that promise to pay that which the banks don't have, and doesn't exist.

About four years since the Merchants' Bank of New-York, which began its operation, without having received a charter, having applied to the legislature of the state for an act of incorporation, its petition was rejected. A severe law was at the same time enacted, which explicitly made the private property of persons engaged in the business of banking, liable for the debts of the institution. The Merchants' bank was allowed one year to settle its accounts. Accordingly, on the enactment of the law, it ceased discounting, and all its debtors were obliged to discharge their notes as they fell due. The payments, as might be supposed, were made partly in specie, partly in its own notes, but chiefly in those of the other banks. By this very simple operation, it attained possession of so many of the notes of these banks, that when those notes were presented for payment, it brought them to the very verge of bankruptcy, by sweeping away the whole of their specie.

I was at that time in New-York, and was credibly informed that one of the banks was, for a day, reduced to the necessity of paying its notes in small silver, to gain time. At this crisis, when destruction impended on the trading world, it was fortunately in the power of the secretary of the treasury to avert the storm. He interposed: and having very large sums to the credit of the United States in Philadelphia, he directed the transmission of a considerable portion of them to New-York, to remove the evil. 1,500,000 dollars were accordingly dispatched immediately. This timely interference rescued the three New-York banks from absolute bankruptcy.^{\$}

I am unable here to state with precision the capital of the Merchants' bank. I believe it was only 750,000 dollars; at all events, I am satisfied it did not exceed one million. Let the reader, I implore him, lay aside, for a moment, any prejudices he may have imbibed from the very erroneous statements repeatedly made on this subject. Let him consider this monitory fact. It holds out a strong lesson, which I hope will not be offered in vain.

^{\$} So, the government had to bail out those money-printing corporations ---in fact, rewarding them for their bad behaviour. Those banks and their notes promised to pay silver on demand, but when those notes were presented at the counter, the banks quickly ran out of silver ---because they printed up many more notes than they had silver in their vaults to redeem

If such was the effect of the projected dissolution of a petty institution, such as the Merchants' bank, what must be the effect of enforcing in New York and Philadelphia the payment of 8,000,000 dollars in ten months, or 800,000 dollars per month ?

I feel no hesitation in saying that the ruin will be as enormous as that in France on the explosion of the Mississippi scheme, or the bankruptcy of the Caisse d'escompte, or in England on the bursting of the South Sea bubble. The men who are in debt, and have property, will be universally at the mercy of those who have money for the purposes of speculation. Estates will be sold for 60 or 70 per cent. of their real value. And while the most useful and industrious part of the community, the merchants, the traders, the manufacturers, the mechanics and the artists, will be involved in one general ruin, the capitalists will have an opportunity of monopolizing the fairest portion of the property of their fellow citizens, almost at their own price. It will be in some sort a revival of the never-to-be forgotten scenes of continental money. We shall have a scale of depreciation of bank paper, for the advantage of [swindlers and speculators](#),^{\$} and the destruction of honest men.

Whatever may be the ruin, the interposition of the secretary of the treasury cannot now take place as it did on the former occasion. The exhausted state of the treasury absolutely forbids all hope of aid from that quarter.

One gentleman* with whom I have had some conversation on this topic, has stated that two-thirds of the notes discounted by the bank of the United States, being what are termed *real notes*, or notes given, *bona fide*, for value received, there can no difficulty attend the payment of them; and that the payment of the accommodation, or fictitious notes, the remaining third, will be rendered quite easy, by the

^{\$} And just what were those fine gentlemen in the banks who issued and circulated those bank-notes ? According to your this-here estimate, the Bank of the United States and the State banks produced as large a credit-bubble as those famous schemes.

* John Love (1760-1834) [studied law, admitted to the bar] representative from Virginia; voted against the renewal of the charter.

aid of the other banks. I trust I have fully refuted the latter idea. I proceed to investigate the first.

Had this gentleman come from a part of the country, where there was little or no use of money, and where of course negotiations were carried on by barter, we could account for the assertion, that those who have received value for the notes they have given, must of course be able to discharge those notes when due, as they might pay them with the ships, the sugar, the tobacco, the linens and woollens, which they possess. But his place of residence affords him few or no examples of this kind. And that gentleman, in a time of great scarcity of money, might possess every species of the most valuable property, including public securities, and bank stock, and yet be unable to convert them into cash to meet his notes, or bonds, or executions, if any there were, without making most enormous sacrifices. In fact, in a time of general pressure and difficulty, real notes, for a very obvious reason, bear harder upon the drawers than fictitious ones. If a bank has discounted 10,000 dollars of real notes drawn by any individual, there is no obligation implied on the one side, or understood on the other, that any part of them is to be renewed. Whereas in all cases in which the very safety of the institution is not absolutely at stake, every well regulated bank considers itself as in some measure bound by almost universal practice to renew as large a part as possible, if not the whole, of accommodation notes.

A further and no less important view remains to be taken of this subject. Some selfish men, who live hundreds of miles from the operations of banks, and of course are not liable to suffer by their explosion, may regard the picture I have drawn, with *sang froid*. But the catalogue of evils is very far from being complete. A consequence not generally contemplated will result. This is no less than a temporary bankruptcy of the government.

For the expenses of the present year the sole dependence of the government is on a small balance in the treasury; a loan; and about nine millions of dollars, due on bond by the merchants. When those citizens, who in general subscribe for three fourths of all loans, are reduced to the embarrassment

and difficulty I have stated, a loan cannot possibly succeed. It would be the extreme of folly to expect it. Even those whose good fortune steers them clear of the surrounding difficulties, will find it much more advantageous to purchase the existing stock of the United States, which by the general distress will be thrown into the market in great abundance, and thus reduced below par, than to subscribe to a new loan. From this view, on which my limits will not allow me to dilate, the fate of the loan may be easily anticipated.

The bonds remain as a last refuge. Let us examine how far they are likely to supply the deficiencies of the loan. Though ultimately secure, and affording a lien on the estates at both debtors and their securities, the payment of the bonds will in the general confusion be suspended for a time. When a merchant or trader has the alternative presented to his view, of allowing his bond to remain unpaid, or his note to be protested, he will choose the former as incomparably less injurious to his credit and character. The universality of the delinquency will remove any idea of disgrace attending it. It will be a matter of course. And as the general calamity will be justly ascribed to the mismanagement of the legislature of the United States, there will be a kind of malignant joy felt in inflicting on the government a portion of those ills that emanate from its errors. Some months must elapse before payment can be enforced. During that time the debtor takes his chance of contingencies to enable him to pay the bond before the court, carry the business to the last extremity. But if a note lie over protested, the drawer's credit is absolutely extinguished.

I think it can hardly be doubted, after a fair view of this unexaggerated portrait, that the treasury will be totally exhausted ---the credit of the government be destroyed--- the public creditors be unpaid--- and of course that the horrors of public bankruptcy will be superadded to the long catalogue of private ills I have already stated.

I have heard it asserted that if we are liable to such evils as these are, by the operations of this bank, it cannot too soon be destroyed. Better encounter the whole at once, than have them hang over our heads, like the sword of Damocles, ready

to destroy us. This is as wise reasoning as that of a man who having an excellent house in the neighbourhood of such combustible materials, as placed it in danger of being one time or other consumed by fire, thought it prudent to burn it down himself, to prevent the possibility of such an accident at a future day.

There is not a single evil that we are threatened with hereafter, by the dissolution of the charter of this bank, whether in ten or twenty years, that would not be produced at present by the same event.

But to be serious: Whatever force this argument might have had, previous to the establishment of banks, it is not at present worth attention. Banks exist throughout our country. They will continue to increase; and if, to remove the evil, the bank of the United States were dissolved tomorrow, another, pregnant with as much danger, would arise in its stead.

My object in these hasty reflections was to prove the imperious necessity of a renewal of the charter, and the tremendous consequences of a contrary system. I did not therefore propose to myself to have examined any of the details of the various proposed plans. But there is one feature of the bill reported to the house of representatives, so very monstrous, that I cannot pass it over without bearing my strongest and most unequivocal testimony against it. I mean the prodigious addition proposed to be made to the capital of ten millions of dollars. A more exceptionable or pernicious project was perhaps never submitted to the national legislature. I hope it will receive the degree of consideration its importance merits. Most of the inconveniences charged upon the present institution arise from its enormous capital of ten millions of dollars. Many of its enemies have regarded this as the strongest objection to it. And yet, lured by a disgraceful spirit of cupidity, unworthy of the representatives of a free people, it is proposed for the sake of a paltry gain, to burden our posterity by doubling the capital of the institution, and thus extending it to twenty millions of dollars. And, *proh pudor!* to cap the climax, the government is to be sunk into a Change alley broker, and to huckster nine millions of the additional stock from year to year ! O shame ! where is thy blush ?

The following excellent essay, which appeared in the *Philadelphia Gazette*, of the 23d April, embraces so many considerations which wholly escaped the writer of the *Desultory Reflections*, and throws so much light on this very important subject, that it is thought advisable to annex it in form of an

APPENDIX.

One of the most important objects which has been introduced to the attention of our national legislature during its present session, is the application for a renewal of the charter of the "Bank of the United States." This subject is so intimately connected with the interests of every individual of the community, whether he be engaged in commercial, manufacturing, or agricultural pursuits, that it ought to be laid before the public, in order that our citizens may the better be able to form an opinion of its importance. The object of the writer of the following observations is not to excite alarm; his intention is merely to take a view of what, in his conjecture, must be the inevitable consequence of an unfavorable decision of Congress in relation to this affair. If his positions be groundless and his anticipations imaginary, it would afford him great satisfaction to see them proved, in the same public manner in which they are now advanced.

It is well known that the present charter of the "Bank of the United States" will [expire on the 4th of March 1811](#), and that notwithstanding the most anxious endeavours of the Directors during the present session of Congress to obtain a renewal of it for an additional term of years, they have not been able to effect their object. Whether or not it will be granted, a short time will determine.

The original capital of this bank was *Ten Millions* of dollars, which sum, except what was retained by the mother bank to supply the demands of Philadelphia, has been distributed in various proportions among the branches which are established in Boston, New-York, Baltimore, Washington, Norfolk, Charleston, Savannah, and New-Orleans.

Now, in order that the affairs of the institution might be conducted with safety and advantage, nine banking houses were purchased or built; cashiers, clerks, and porters employed, and various other expenses necessarily incurred.

But money was loaned at six per cent. (or rather 6.3 percent which is the actual rate of discount charged) and it appears that the incidental expenses of the institution have been paid, a fund has been reserved to meet losses by bad debts, and a dividend of *eight* per cent. per annum has been paid to the stockholders upon the first cost of their stock.

Persons unacquainted with the system of banking will ask, how could this possibly have been done ? The reply is obvious. A [greater sum than the amount of the capital has been loaned](#), which the bank has been enabled to do from the extent of its [credit](#) which has given to its [notes](#) a value equivalent to [cash](#).

It appears by the report of the directors, that at the last estimate the sum of *seventeen* millions of dollars have been loaned on discount by the bank and its branches, *ten* millions of which is its *specie* capital, and therefore *solid*, and *seven* millions *paper*, which is consequently *ideal*.

By the *specie* capital I do not mean that the *coin* itself has been loaned, for *that* may still be in the vaults of the bank; but that notes have been issued and bank credits given for the amount, which represents the *specie*, and can at any time command it, so that whether or not the silver and gold itself be loaned out, matters not.

The original capital, whether lent in notes, bank credits or coin, may be called the *specie* capital. The extra loan is *ideal*, because it does not represent gold or silver, but is founded merely upon [the credit of the bank](#); it is nothing more than [paper](#), because the [confidence](#) which the people in general have in the bank is so great, that any person will receive it as [cash](#), and it is considered as such.^{\$}

^{\$} Confidence-money, printed up by banks and circulated in the community for real assets. Very kind of you to explain in so simple terms why adventurers organize and operate money-corporations. And now you're going to tell us why we cannot extricate ourselves from the clutches of the money-corporations and their confidence-money. Yes, we cannot rid ourselves of bankers and their printing-press paper money without economic hardship and disaster. Confidence-money increases the money-

Upon the expiration of the charter, all this sum of *seventeen* millions of dollars, which has been loaned (except a small part to government) principally for commercial, manufacturing, and agricultural employments, must be repaid to the bank in order that the affairs of the institution may be closed, and the capital^s divided among the stockholders. But in as much as so great an amount cannot be raised by the borrowers without a reasonable notice, the bank will be obliged to draw it in by degrees. As prudent men, the directors, as soon as it is ascertained that congress will rise without granting a renewal of the charter, if this should be the case, must begin to call in their loans, in order that the borrowers may have time to prepare their funds and make their arrangements. This, too, must be done in the most gentle manner the case will admit of; for if harsh measures should be precipitately entered into, a confusion will take place, and perhaps a total disregard of protests.

Between this and the 4th of March next [1811] there are about forty-five weeks, and therefore in order that the whole sum loaned may be paid in by that day, if it be done on equal installments, 377,000 dollars must be called in or cut down every week, or, what is the same thing, the loans must be reduced that much. The first *seven* millions which are paid in, being the ideal capital, become completely and effectually extinguished, and consequently are taken out of circulation and out of existence. The other *ten* millions, being the specie capital (supposing it all to be paid in, but which I do not believe to be possible) would also be taken out of circulation. If indeed this money could be paid out to the stockholders by installments as fast as collected, then this would not be the case, for it would be in the hands of individuals who lend it. But such a course cannot be pursued.

supply and inflates a credit-bubble ---a credit bubble, like a soap-bubble, expands for a while, but after that it always explodes, bringing down with it the whole field.

“You cannot create a necessity, then plead that necessity.”

You create(d) this problem of confidence-money credit-bubble, then turn around and plead this exact-same credit-system as an excuse for the perpetuation of the confidence-money credit system !! ---unmitigated audacity !

\$ The capital which the stockholders paid-in not in coin, but in paper notes --- yet now they will receive coin.

These ten millions must be locked up in the vaults of the bank until the final day of settlement, and will therefore be completely removed from circulation. ---Thus then a demand is to be made upon nine commercial cities for *seventeen* millions of dollars, which are to be totally taken out of circulation, *SEVEN* millions of it *forever*, and ten millions until after the 4th of March next. The first question then which will arise, is, not is there that much money in those cities, but can so much money be raised in less than one year, by the borrowers of it, those who are indebted to the bank, and who are to pay it ? I answer it is impossible.

We are well aware that in our usual trade to China and India, the exportation of a few millions of dollars in a season, always creates a press for money. How much greater then must this evil exist, when seventeen millions are removed from circulation, besides what will be exported ? I ask, whence is it to be supplied ?

It is true that in the cities where the bank and its branches are established, there may be greater sum; but a very small proportion of it is in the hands of those who are indebted to the bank. ---Much of it is owned by wealthy and timid men, who will not loan it even at usury, particularly at such precarious times. Can it be obtained from the other banks ? I presume not. They will not be able to extend their discounts, but rather be obliged to contract them: for the *run* which will be made upon them for specie, with their notes by the expiring bank, must necessarily be as heavy as they can meet. Besides this, they will labour under another inconvenience.

As soon as the notes of the bank of the United States, which are in circulation throughout the union, are called in for payment, it will occasion a degree of alarm among *the ignorant people*^{\$} in the country, who, not being able to understand the cause of it, will hurry in their other bank notes and demand specie for them. This will occasion an additional press, and with the other will completely prevent them from extending their discounts. From the other banks then no relief can be had. But in the hands of those who are indebted to

\$ Yes, the ignorant people ! It is all their fault ---not the sophisticated bankers who print and circulate confidence-money, but the ignorant people !

the bank, and of those who will be disposed to lend at usury, upon deposits or otherwise, there may perhaps be *twelve* millions of dollars, leaving a deficiency of *five* millions.

But suppose we allow, for the sake of argument, that there should be in the hands of those who would be willing to lend, as much as seventeen millions:--- Could this money be compassed by the same individuals who are in debt to the bank ? Would not the owners demand such securities as every man could not give ? Would not the rate of usury demanded be so great as to render it madness in many people to give it ? Would not stoppages and failures without number take place ? and would not a scene of pecuniary stress, such as has never before existed in our commercial cities, be exhibited ?

Most of the borrowers might have property abroad or at home, or debts due to them, but these would not avail. Their debts to the bank must be paid with money. Houses and lots, ships, bales of goods, and promissory notes would not answer. The bank must have *cash*. ---That class of monied men who would not object to speculate upon the misfortunes of others, might say, let people make sacrifices of their property to meet their engagements. But will this generally be done ? Will merchants sacrifice their property at 10, or 20 per cent. below its value, and thereby ruin themselves ? Will they not rather suspend their payments until they can get relief, offering at the same time such securities as they may have in their power ?

It may be imagined by some, that the distress which will be produced in this ease, will only be felt by those who are indebted to the bank of the United States. But this opinion is erroneous. It will affect all descriptions of people, as well those who borrow from other banks, as those who have payments to make or debts to receive.^{\$}

Suppose it be admitted, that the other banks will not be obliged to reduce the amount of their discounts, will it follow that their loans must be continued to the same individuals

^{\$} What a tangled web we weave when we allow sophisticated bankers to print and circulate confidence-money; when we allow sophisticated bankers to take control of the volume of money in the country !!

who have them now ? Certainly not; there are many persons who keep accounts with these institutions, who are entitled to discounts, but who, in consequence of having borrowed sufficient from the bank of the United States, have never asked for them. These people therefore are entitled to it, and must have some relief, and in order to make room for them, others must be cut down. Such a scarcity of money as will be occasioned by the removal of seventeen millions of dollars from circulation, must operate on every man. Merchants and manufacturers, farmers and mechanics, will not be able to pay their notes and bill, and consequently all classes of people who are dependent upon those branches, and they comprise nearly the whole community, must feel in a greater or less degree this distress.^{\$}

If Congress *could* establish a national bank, the operations of which should commence *immediately*, then indeed relief would be obtained, by enabling people to transfer their debts from the old to the new bank.^{\$\$} But they are not at liberty to do this. When the present bank was chartered, the faith of the government was pledged, that during its continuance no other bank should have their authority to operate.

But there is another difficulty which presents itself upon the plan for the establishment of a national bank first presented to the Senate. It is there contemplated to open subscriptions on the first of October next, for a capital of *twenty* millions of dollars, *one fourth* of which to be paid at the time of subscribing. Now, in as much as this money cannot be loaned out again until the 4th of March succeeding, it must follow, either that *five* millions of dollars more will be taken out of circulation for *five* months, or that people will not have money to subscribe. If the former, an additional source of distress is created; if the latter, the new bank, of course, cannot go into operation and discount. Upon the whole it

^{\$} Adam Seybert, to whom Mr. Carey addressed nine public letters in 1810, wrote in 1816 that--- "Many persons viewed a dissolution of the late Bank of the United States as a national calamity; it was asserted that a general bankruptcy must follow that event. The fact was otherwise: every branch of industry continued uninterrupted ---no failures in the mercantile community were attributable to that occurrence."

^{\$\$} Or, if we would use this occasion to revert to a cash-only system, in which banks are not allowed to issue confidence-money, but must discount for coin alone.

would appear that no national bank can be established in time to afford relief, for as none can go into operation prior to the 4th of March next, the mischief will already have been occasioned.

But is there no way by which this severe distress can be averted ? There is one [but of course darling, but of course], which is to extend the charter of the present bank, (if congress is determined to destroy it) for two or three years, in order that they may have time to wind up their business slowly. By that time a national bank could be in complete operation to supply its place. But the policy which ought to be adopted under the existing poverty of the government and the severe effects of several national experiments with which the people yet smart, is by no means to try new projects, but preserve the old system, which has been fairly proved to be good, and to extend the charter of the present bank for a reasonable term of years. [at the end of which reasonable term the exact-same argument would be used to plead for more years and more extensions]

A reservation of the right to enlarge the capital when circumstances should require it, might perhaps not be amiss; but to increase it at this moment, would have no good effect. A larger sum than the present capital, could not, under the existing state of commerce, be employed to advantage, and would, therefore, be useless.

P.B.

You cannot create a problem, then plead that problem as an excuse for your continued existence and the continuation of your confidence-money creating activities which produce(d) this problem in the first place, and will produce these same problems in the future.

LETTERS
TO
DR. ADAM SEYBERT,
REPRESENTATIVE IN CONGRESS FOR THE CITY OF
PHILADELPHIA,
ON THE SUBJECT OF THE
RENEWAL OF THE CHARTER
OF THE
BANK OF THE UNITED STATES.

BY M. CAREY.

SECOND EDITION ENLARGED.

“ To struggle
“ In a just cause, and for our country’s safety,
“ Is the best office of the sons of men—
“ And, to decline it, where these motives urge,
“ Is infamy beneath a coward’s baseness.”

PHILADELPHIA :
PUBLISHED BY THE AUTHOR.
Jan. 7, 1811.

Letter III.

*On the effect of the dissolution of the Bank, upon
the character of the United States, particularly in Europe.*

Sir,

The fidelity and honour with which our government has fulfilled all its engagements, abroad and at home, have attracted towards this country the respect and attention of all Europe. Our credit stands very high in the quarter of the globe, and most deservedly. It is free from stain. Our stocks have sold at higher rates on the London exchange, than those of England. To every American with truly national feelings, this circumstance must afford a rational subject of laudable exultation.

In consequence of this state of our public credit, Sir Francis Baring, in 1802, purchased *of our government* 2220 shares in the stock of the Bank of the United States, at 45 per cent. advance, for which he paid \$1,287,600.

By this sale our government cleared no less beyond the original subscription than \$399,600.

The dividends paid on this stock, since the sale, have been $8\frac{3}{8}$ percent which on 888,000 dollars, the par value of 2220 shares, is, in eight years, \$594,960. Legal interest at six per cent. on the purchase money; viz. 1,287,600 dollars, for eight years, is, 618,048.

Thus it appears that the purchasers in England, who, placing full reliance on the honor of this nation, and the stability of our public stocks, have paid our government the very extravagant advance of 45 percent, fall short of legal interest for their money, or in other words have lost 23,088 dollars; and if the charter be not renewed, they will further lose at least the whole sum which our government has gained, viz. 399,600 dollars; for the sum which they paid for the stock, viz. 1,287,600 dollars, will be reduced to 888,000, perhaps it will fall below par.^{\$}

^{\$} Mr. Carey's representation of the purchase of BoUS shares is, of course, a brazen presentation of his own fanciful views as facts.

At the formation of the federal government, Secretary of State Thomas Jefferson selected the House of Baring as bankers to the United States. At the time of

These facts require more consideration than has been bestowed upon them. The credit and honour of a government, as of an individual, are above all price. It behooves congress well to consider, in what point of view this transaction will appear in Europe.

The calm, and the reflecting, and the substantial commercial people on the exchanges of the trading nations of Europe, while they admit that our government has an undoubted right to refuse to renew a charter, the period of which has expired, will not attempt to deny ---for it cannot be denied--- that it betrays a levity and fickleness not comporting with the dignity of a respectable nation. They will search the commercial annals of Europe for a case exactly parallel, but, I believe, in vain. They will enquire whether any flagrant act of malversation has been proved against the institution which would render its continuance dangerous, and warrant its extinction ? The reply will be negative. It will be stated, indeed, that various crude allegations have repeatedly been preferred against it, most of them anonymously ---that a considerable proportion of those allegations are most notoriously unfounded, and, though disproved repeatedly, are renewed again and again--- that most of the residue are insignificant and unimportant. How far under those circumstances, the occurrence will, to the real friends of America, prove a source of poignant uneasiness, and mortification, may be readily conceived.

To the inveterate enemies of American honour and credit, it will afford a proud triumph. They will insist that it is a tour of address ---a money speculation by our government--- more particularly if, in the event of the dissolution of the Bank of the United States, a national Bank should be established, with branches, as is contemplated, in the different states ---and if our government should be proprietor of a large number of

the purchase of BoUS shares, Baring also handled the financial aspects of the Louisiana Purchase ---a \$15,000,000 transaction, on which Baring earned a commission; Baring didn't ship silver coins from London to Washington to pay for the purchase !

The \$180.00 premium on BoUS shares was determined by the "market," anyone else would have been willing to pay the same price if the government gave them the opportunity ---Secretary of the Treasury, Albert Gallatin, only made the offer to Baring. Baring made an investment in a bank, and after that he did what he could to perpetuate the existence of that bank.

shares. They will excite a violent clamour against the ruin of widows^{\$} and orphans, whose whole estates have been invested in this stock, at 50, (for Sir Francis Baring sold out at that rate,) 40, 30, or 20 per cent. advance, and which will be reduced to par, or below it. They will assert, and the unreflecting part of the world, which by the way is the most numerous, will believe them, that the gain of our government in this transaction is not much more honourable than that made by the adulteration of the coin, to which in time of extremity, some of the unprincipled sovereigns of Europe have resorted; and that, at all events, it is more injurious to the holders of the stock, than the other measure to those who hold the coin. For adulterated coin, when upheld by the mandate of an arbitrary monarch, performs within its own boundaries all the functions of the genuine coin; whereas the moment the extinction of the Bank is decided upon, and its fate pronounced, those shares which have hitherto fluctuated from 600 to 480 dollars, will at once sink, and inevitably, to 400, perhaps to 360 or 380.

On this point, my dear Sir, I might dilate very largely. I might urge ---and I trust I should not urge in vain--- the cases of the various estimable individuals, on this side of the Atlantic, as well as those in Europe, many of them widows and orphans ---many, persons in advanced age stage of life, whose subsistence is drawn from the dividends upon the stock of this Bank, and who must be materially affected by your decision. ---I feel perfectly satisfied you will make their case your own; and, before you pronounce the important *aye*, or *no*, that bids them partake of the comforts of life, as they have hitherto done, or abridges their future enjoyments, you will most seriously ponder on the subject, and be able to reconcile your vote to the unerring dictates of the "*Mens conscia recti*" which, without compliment, I assuredly believe, has hitherto presided over your conduct.*

Respectfully, Yours, &c.

December 7, 1810.

^{\$} No widow or orphan could afford to pay \$400.00 for a BoUS share ! In those days, a good mechanic might earn \$450.00 a year.

* On January 24, 1811, Representative Adam Seybert voted against the renewal of the charter ---in a vote of 65:64; so the Bank of the U.S. expired.